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**BEFORE THE ARIZONA CORPORATION COMMISSION****COMMISSIONERS**

Arizona Corporation Commission

**DOCKETED**

MAR 19 2014

BOB STUMP – Chairman  
 GARY PIERCE  
 BRENDA BURNS  
 BOB BURNS  
 SUSAN BITTER SMITH

DOCKETED BY

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IN THE MATTER OF THE APPLICATION OF  
 MICHAEL'S RANCH WATER USERS  
 ASSOCIATION FOR APPROVAL OF A RATE  
 INCREASE.

DOCKET NO. W-02624A-13-0367

DECISION NO. 74408**ORDER**

Open Meeting  
 March 11 and 12, 2014  
 Phoenix, Arizona

**BY THE COMMISSION:**

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the  
 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

**FINDINGS OF FACT****Procedural History**

1. On October 30, 2013, Michael's Ranch Water Users Association ("WUA" or  
 "Association") filed with the Commission an Application for an increase in its water rates and  
 charges.

2. On November 22, 2013, the Commission's Utilities Division ("Staff") issued a Notice  
 of Sufficiency, finding that the Application met the requirements of the Arizona Administrative  
 Code ("A.A.C.") R14-2-103, and classifying the Association as a Class E water utility.

3. On January 14, 2014, the Association filed an Amendment to the Application which  
 included an updated Cross-Connection or Backflow Tariff.

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1           4.     On January 21, 2014, Staff filed a Staff Report recommending that the rates and  
2 charges proposed by Staff be approved. Comments to the Staff Report were due by January 31,  
3 2014.<sup>1</sup>

4           5.     Concurrently with its Application, WUA filed certification that it had provided notice  
5 to its customers of its proposed rates and charges by first class U.S. mail on October 30, 2013. To  
6 date, the Commission has not received any public comments concerning this application.

7 **Association Background**

8           6.     WUA is a non-profit Arizona association, that provides water service to the Michael's  
9 Ranch Community (the "Ranch") in Yavapai County, Arizona, approximately 13 miles north of  
10 Cottonwood. The original Certificate of Convenience and Necessity ("CC&N") for the  
11 Association's service territory was granted under the name of Jupiter Meadows Water Users'  
12 Association in Decision No. 57833 (April 23, 1992). In Decision No. 60020 (May 16, 1997), the  
13 Commission issued a new CC&N for the area to WUA.

14           7.     The Association's current rates and charges were approved in Decision No. 65652  
15 (February 18, 2003).

16           8.     The Staff Report indicates that from January 1, 2011, through January 2, 2014, no  
17 complaints were filed with the Commission involving the Association.

18           9.     The Commission's Utilities Division Compliance Section shows no outstanding  
19 compliance issues, and Staff reports that the Association is current on its property and sales tax  
20 payments. WUA is in good standing with the Commission's Corporations Division and is currently  
21 in compliance with the Arizona Department of Water Resources ("ADWR").

22           10.    The Arizona Department of Environmental Quality ("ADEQ") has determined that the  
23 Association's system is currently delivering water that meets the water quality standards required by  
24 the National Primary Drinking Water Regulations and A.A.C., Title 18, Chapter 4.

25           11.    During the test year ended December 31, 2012, Applicant served 25 5/8" x 3/4"  
26 meters, of which 24 are residential customers and one is used for irrigation of a common area. The  
27

28 <sup>1</sup> WUA did not file Comments to the Staff Report.

1 Association reports that the Ranch has 38 or 39 lot sites, 23 of which have homes on them, and that  
2 it also provides service to two properties located outside the Ranch, one of which has a home and the  
3 other is currently vacant. There is one meter for the sole purpose of providing irrigation to trees and  
4 plants at the entrance to the community. WUA reports that seven of its 24 users are part-time  
5 residents, and the irrigation system only runs for seven months of the year.

6 12. The Commission's Engineering Staff inspected the system on December 4, 2013. The  
7 Association's system consists of one production well (capacity of 28 gallons per minute), one 75,000  
8 gallon storage tank, a booster pump station, 24 residential Reverse Osmosis units to remove arsenic  
9 from the well water, and a distribution system.

10 13. Staff concluded that the Association's system has adequate production and storage  
11 capacity to serve existing customers and reasonable growth.

12 14. Average and median water usage for the 5/8" x 3/4" meters during the test year were  
13 12,973 and 7,438 gallons per month, respectively.

14 15. The Staff Report indicates that the calculated water loss during the test year was a  
15 negative 7.2 percent, which calls into question the validity of the water use data for the system  
16 because a negative water loss is impossible. The Association provided additional water use data for  
17 the period January 2013 to September 2013, which indicated a water loss of negative 2.2 percent.  
18 Staff states that this data indicates that the problem with the water use data has not been corrected.  
19 Staff recommends that the Company monitor the water system closely and take action to ensure that  
20 water loss is below 10 percent. Staff further recommends that the Company be required to  
21 coordinate the reading of its well meters and individual customer meters on a monthly basis and  
22 report this data in its future Annual Reports beginning with the 2014 Annual Report filed in 2015. If  
23 the reported water loss is greater than 10 percent, Staff recommends that the Association prepare a  
24 report containing a detailed plan to reduce water loss to 10 percent or less, and if the Association  
25 believes that it is not cost effective to reduce the water loss to less than 10 percent, it should submit a  
26 detailed cost/benefit analysis to support its opinion. Staff states that in no case should the  
27 Association allow water loss to be greater than 15 percent, and recommends that the water loss  
28 reduction report or the detailed cost benefit analysis, whichever is submitted, shall be docketed as a

1 compliance item before the Company files its next rate increase application. Staff states that any  
2 future rate case filed by the Association may be found insufficient if these items are not properly  
3 submitted.

4 16. Staff also recommends that WUA file with Docket Control as a compliance item in  
5 this docket within 90 days of the effective date of a Decision, at least three Best Management  
6 Practices ("BMPs") in the form of tariffs that substantially conform to the templates created by Staff  
7 for the Commission's review and consideration. Staff further recommends that the Association use  
8 the templates created by Staff that are available on the Commission's website at  
9 <http://www.azcc.gov/Divisions/Utilities/forms.asp>. Staff recommends that a maximum of two  
10 BMPs come from the "Public Awareness/Public Relations" or "Education and Training" categories.  
11 Staff states that the Association may request cost recovery of the actual costs associated with the  
12 BMPs implemented in its next general rate application.

13 17. WUA did not file an objection to Staff's BMP recommendation.

14 **Rate Request**

15 18. WUA states it is seeking a rate increase to recover operating expenses and earn a  
16 reasonable return on test year rate base in order to have adequate funds for future repairs and/or  
17 improvements on its aging water system.

18 19. In the test year, according to WUA's Application, the Association experienced an  
19 operating loss of \$1,952, on total revenues of \$25,610 and total operating expenses of \$27,562.  
20 Staff's adjusted test year results indicate adjusted operating revenues of \$25,422 and adjusted  
21 operating expenses of \$31,900, which result in a test year operating loss of \$6,478.

22 20. The Association proposed rates that would increase revenue to \$34,586, an increase of  
23 \$8,976, or 35.05 percent, over its reported test year revenues of \$25,610. Based on the Association's  
24 Application, which reported total operating expenses of \$27,562, the requested increase would yield  
25 operating income of \$7,024, a 10.74 percent return on an Original Cost Rate Base ("OCRB") of  
26 \$65,387. The Association proposed a three-year phase-in for the increase, which would have the  
27 monthly minimum charge increase from \$18.00 to \$25.00, and increasing commodity rates, over the  
28 phase-in period.

21. Staff recommends rates that would produce total revenue of \$34,572, an increase of \$9,150, or 35.99 percent over Staff-adjusted test year revenues of \$25,422. Based on Staff's adjusted operating expenses of \$31,960, Staff's recommendation would yield operating income of \$2,612, a 2.8 percent return on Staff-adjusted OCRB of \$93,143. Staff concurs with the proposed three-year phase-in based on the principal of gradualism.

#### **Rate Base**

22. Staff made adjustments to the Association's reported rate base, which resulted in a \$27,756 increase in the proposed OCRB, from \$65,387 to \$93,143. Staff's adjustments increased Plant in Service by \$31,409, from \$228,822 to \$260,231, including: a) the addition of \$21,508 related to the purchase of a generator to provide continuous service in the event of a power failure; b) an increase in pumping equipment by \$14,331 related to a new booster pump to improve fire suppression capabilities; c) an increase to water treatment plant related to the purchase of reverse osmosis units; d) an increase to solution chemical feeders by \$546 to account for the purchase of a new chlorine pump after the test year; and e) a decrease in construction work-in-progress by \$10,000 to remove a recorded deposit on the generator which is now included as plant in service. Staff also increased accumulated depreciation by \$2,451, from \$163,435 to \$165,886, based on the adjustments to plant in service, and increased Contributions in Aid of Construction ("CIAC") by \$4,200 to reflect Point-of-Use Arsenic Treatment devices that were contributed to the Association by the devise manufacturer and installed pursuant to Decision No. 70050 (December 4, 2007). Staff also increased accumulated amortization of CIAC by \$1,234 to reflect the amortization of the CIAC. Finally, Staff increased OCRB by providing for a working capital allowance of \$1,763, based on the formula method typically used for small water systems.

23. The Association did not object to Staff's recommended adjustments to rate base. Staff's adjustments to rate base are reasonable and should be adopted.

24. The Association did not provide Reconstruction Cost New Less Depreciation Rate Base data, and thus, its Fair Value Rate Base ("FVRB") is deemed to be the same as its OCRB. Based on Staff's recommendations, WUA's FVRB is \$93,143.

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1 **Operating Income**

2 25. Staff decreased the Association's reported test year "other water revenues" by \$188,  
3 from \$403 to \$215, to correct an error in recording a sales tax adjustment.

4 26. Staff made the following adjustments to operating expenses which had the combined  
5 effect of increasing operating expenses by \$4,012, from \$27,562 to \$31,574 as follows:

6 (a) Increased repairs and maintenance expense by \$5,148, from \$263 to \$5,411 to  
7 reflect \$3,748 in repairs expense associated with the arsenic treatment filters that had originally been  
8 misclassified as a water testing cost; and a pro forma adjustment in the amount of \$1,663 to average  
9 the repairs and maintenance expenses over the years 2009 through 2013;

10 (b) Decreased water testing expense by \$3,748 from \$4,730 to \$982 to reflect Staff's  
11 estimated water testing costs contained in the Engineering Report attached to the Staff Report;

12 (c) Increased depreciation expense by \$2,565, from \$9,064 to \$11,629 to reflect  
13 application of Staff's recommended depreciation rates to Staff's recommended depreciable plant  
14 balances as offset by the amortization of CIAC;<sup>2</sup> and

15 (d) Increased income tax expense by \$373, to increase to zero, the negative \$373  
16 expense reported in the Application because the Association is a tax exempt organization.

17 27. WUA did not object to Staff's adjustments that affected operating income, and Staff's  
18 adjustments are reasonable. Thus, we find that in the test year, WUA experienced an operating loss  
19 of \$6,478, based on operating revenue of \$25,422 and total operating expenses of \$31,900.

20 **Revenue Requirement**

21 28. Staff recommended a total revenue level of \$34,575, which after Staff's adjusted  
22 operating expenses of \$31,960,<sup>3</sup> would produce operating income of \$2,612, a 2.8 percent rate of  
23 return on a FVRB of \$90,621, and an operating margin of 7.56 percent. Staff's recommended  
24 revenue yields an annual cash flow of \$14,674.

25 29. Staff's recommended revenue level is only \$14 less than the Association's request.  
26 The Association did not object to, or comment on, Staff's recommendations. The recommended

27 <sup>2</sup> Staff notes that the depreciation rates recommended in the current Engineering Report were authorized in the prior rate  
28 case and were effective as of February 18, 2003.

<sup>3</sup> Staff adjusted test year property taxes by \$60 to reflect the higher revenues under the new rates.

revenue level would cover the Association's operating expenses and result in an annual cash flow that should be sufficient for contingencies. We find that under the circumstances of this case, Staff's recommended revenue level is reasonable and should be adopted.

#### Rate Design

30. The water rates and charges for WUA at present, as proposed in the Application, and as recommended by Staff, are as follows:

#### COMPANY PROPOSED RATES:

<u>MONTHLY USAGE CHARGES:</u>	<u>Present Rates</u>	<u>Company Proposed Rates</u>		
		1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year
5/8" x 3/4" Meter	\$ 18.00	\$ 20.00	\$ 22.50	\$ 25.00
3/4" Meter	21.00	23.00	25.50	28.00
1" Meter	24.00	26.00	28.50	31.00
1-1/2" Meter	32.00	34.00	36.50	39.00
2" Meter	55.00	57.00	59.50	62.00
3" Meter	78.00	80.00	82.50	85.00
4" Meter	154.00	156.00	158.50	161.00
6" Meter	279.00	281.00	283.50	286.00

Gallons in Minimum	0	0	0	0
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#### COMMODITY RATES (Per 1,000 Gallons):

<u>All Meter Sizes</u>				
First 5,000 gallons	\$ 3.75	N/A	N/A	N/A
5,001 to 40,000 gallons	5.91	N/A	N/A	N/A
Over 40,000 gallons	7.00	N/A	N/A	N/A
First 5,000 gallons	N/A	\$ 4.10	\$ 4.50	\$ 5.00
5,001 to 30,000 gallons	N/A	6.50	7.20	7.86
Over 30,000 gallons	N/A	7.70	8.20	8.75

#### STAFF RECOMMENDED RATES:

<u>MONTHLY USAGE CHARGES:</u>	<u>Present Rates</u>	<u>Staff Recommended Rates</u>		
		1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year
5/8" x 3/4" Meter	\$ 18.00	\$ 20.00	\$ 25.00	\$ 30.00
3/4" Meter	21.00	23.00	28.00	33.00
1" Meter	24.00	26.00	31.00	36.00
1-1/2" Meter	32.00	34.00	39.00	44.00
2" Meter	55.00	57.00	62.00	67.00
3" Meter	78.00	80.00	85.00	90.00
4" Meter	154.00	156.00	161.00	166.00
6" Meter	279.00	281.00	286.00	291.00

COMMODITY RATES (Per  
1,000 Gallons):  
All Meter Sizes

First 5,000 gallons	\$ 3.75	N/A	N/A	N/A
5,001 to 40,000 gallons	5.91	N/A	N/A	N/A
Over 40,000 gallons	7.00	N/A	N/A	N/A
First 5,000 gallons	N/A	\$ 3.75	\$ 3.85	\$ 4.00
5,001 to 12,000 gallons	N/A	6.20	6.67	7.15
Over 12,000 gallons	N/A	7.30	7.75	8.78

<u>Service Line and</u> <u>Meter Installation</u> <u>Charges</u>	<u>Current</u> <u>Rates</u>	<u>Service</u> <u>Line</u>	<u>Proposed</u> <u>Meter</u> <u>Charge</u>	<u>Total</u> <u>Charge</u>	<u>Service</u> <u>Line</u>	<u>Recommended</u> <u>Meter</u> <u>Charge</u>	<u>Total</u> <u>Charge</u>
5/8" x 3/4" Meter	\$ 450.00		\$ 450.00	\$ 450.00	\$ 338.00	\$ 112.00	\$ 450.00
3/4" Meter	500.00		500.00	500.00	340.00	160.00	500.00
1" Meter	600.00		600.00	600.00	396.00	204.00	600.00
1-1/2" Meter	850.00		850.00	850.00	433.00	417.00	850.00
2" Turbine	1,500.00		1,500.00	1,500.00	600.00	900.00	1,500.00
3" Turbine	2,100.00		2,100.00	2,100.00	756.00	1,344.00	2,100.00
4" Turbine	3,200.00		3,200.00	3,200.00	1,056.00	2,144.00	3,200.00
6" Turbine	6,000.00		6,000.00	6,000.00	1,680.00	4,320.00	6,000.00

SERVICE CHARGES:

	<u>Present</u>	<u>Company</u> <u>Proposed</u>	<u>Staff</u> <u>Recommended</u>
Establishment	\$ 30.00	\$ 50.00	\$ 50.00
Reconnection (Delinquent)	30.00	40.00	40.00
After Hours Service Charge	35.00	50.00	50.00
Meter Test (If Correct)	40.00	45.00	45.00
NSF Check	25.00	30.00	25.00
Meter Reread (If Correct)	30.00	40.00	30.00
Deposit	*	*	*
Deposit Interest (Per Month)	**	**	**
Deferred Payment (Per Month)	***	***	***
Late Payment Charge (Per Month)	3.00	5.00	****
Re-establishment (Within 12 Months)	*****	*****	*****

\* Per Commission Rule A.A.C. R-14-2-403(B)(7).

\*\* Per Commission Rule A.A.C. R-14-2-403(B)(3)

\*\*\* 1.5 percent of unpaid monthly balance.

\*\*\*\* 1.50 percent per month or \$5.00, whichever is greater.

\*\*\*\*\* Months off system times the monthly minimum A.A.C. R-14-2-403(D).

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per Commission Rule R-14-2-409(D)(5).

31. WUA's proposed rate structure includes a monthly minimum charge that increases by meter size and an inverted three-tier commodity rate with break-over points at 5,000 and 30,000 gallons for all meter sizes. The Association recognizes that the higher rates being proposed place a



1 burden on its existing small customer base, and to minimize the rate impact, the Association  
2 proposes phasing-in the increase over a three year period.

3 32. The Association's proposed rates and charges would increase the typical residential  
4 monthly bill with median usage of 7,438 gallons, from \$51.18 to \$69.16, an increase of \$17.98 or  
5 35.1 percent, at the end of the phase-in period.

6 33. Staff recommends a rate structure that includes a higher monthly minimum charge  
7 than that proposed by WUA in order to place more of the revenue increase in the monthly minimum  
8 rates to stabilize future revenues. Staff also recommends that the break-over points be adjusted to  
9 3,000 and 12,000 gallons for all meter sizes. Staff concurred with the three-year phase-in request.

10 34. Staff's recommended rates would increase the median monthly bill by \$16.25, or 31.8  
11 percent, from \$51.18 to \$67.43 at the end of the three-year phase-in period. In the first year of the  
12 increase, Staff's recommended rates would increase the median monthly bill by \$2.68, or 6.2  
13 percent, from \$51.18 to \$53.86. In the second year, Staff's recommended rates would increase the  
14 median bill to \$60.53, which is \$9.35 more than the current rates, and \$6.67 greater than the median  
15 bill under the first phase increase. In year three, the median bill would increase an additional \$6.90  
16 over the rates in the second phase-in period.

17 35. The Association proposed increasing the Establishment Charge from \$30 to \$50,  
18 increasing the Reconnection (Delinquent) Charge from \$30 to \$40, increasing the After Hours  
19 Service Charge from \$35 to \$50, and increasing the Meter Test (If Correct) Charge from \$40 to \$45.  
20 Staff concurs with all of these changes. Staff states that the After Hours Service Charge would apply  
21 to all services provided after normal business hours when such service is at the customer's request or  
22 for the customer's convenience.

23 36. Staff recommends adding the verbiage "per annum" to the Association's proposed  
24 Deposit Interest of 6 percent, and "per month" to the proposed 1.5 percent Deferred Payment  
25 Charge. The Association proposed to increase the Re-establishment Charge from \$18.00 (for every  
26 month off) to \$25.00 (for every month off). Staff recommends approving a Re-establishment Charge  
27 of "number of months off system times the monthly minimum" per A.A.C. R14-2-403.D. The  
28 Association proposed an increase to the NSF Charge from \$25 to \$30. When asked to support the

1 requested \$5 increase, the Association provided information that the bank charge is \$12 for each  
2 NSF check. Staff recommends no change from the current rate of \$25 for the NSF Charge. The  
3 Association proposed increasing the Meter Re-Read Charge (If Correct) from \$30 to \$40, and Staff  
4 recommends no change from the current \$30. The Association proposed increasing the Late Fee  
5 Charge from \$3.00 to \$5.00. Staff recommends that the Late Fee Charge be changed to "1.5 percent  
6 per month or \$5.00, whichever is greater" to be consistent with other utilities.

7 37. The Association did not request any changes to its service line and meter installation  
8 charges. However, since the Association may at times install meters on existing service lines, Staff  
9 believes that it would be appropriate for some customers to only be charged for the meter  
10 installation. Therefore, Staff recommends approving Service Line and Meter Installation Charges  
11 that break out the charges for the service lines and meters as shown above.

12 38. Staff further recommends:

- 13 a. that the Company be ordered to file, within 305 days after the effective date of  
14 this Decision, with the Commission's Docket Control, the second of three rate  
15 tariffs, assuming the Association's proposed rate phase-in is approved by the  
16 Commission;  
17 b. that the Company be ordered to file, within 670 days of the effective date of this  
18 Decision, the third of three rate tariffs, assuming the Association's proposed rate  
19 phase-in is approved by the Commission;  
20 c. that the Association provide customer notice each year within 55 to 65 days  
21 before the next rate tariff is due.

22 39. The proposed phase-in of rates is at the request of the Association, and motivated by a  
23 desire to minimize rate shock for its members. By making this request, the Association  
24 acknowledges and agrees that the lower revenues that will be collected under the Phase 1 and Phase  
25 2 rates are fair and reasonable, and that the Association will not request, nor be authorized, to collect  
26 the foregone revenues at a later time. With that understanding, we find that Staff's proposed rates  
27 and charges are fair and reasonable and should be adopted, along with Staff's additional  
28 recommendations.<sup>4</sup>

<sup>4</sup> To aid the administration of the phase-in, dates certain are adopted for the effective dates for the phased-in rates and timing of customer notification.

40. Because an allowance for property tax expense is included in the Association's rates and will be collected from its customers, the Commission seeks assurances from the Association that any taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has come to the Commission's attention that a number of water companies have been unwilling or unable to fulfill their obligations to pay the taxes that were collected from ratepayers, some for as many as 20 years. It is reasonable, therefore, that as a preventive measure, the Association shall annually file, as part of its Annual Report, an affidavit with the Utilities Division attesting that the Association is current in paying its property taxes in Arizona.

### CONCLUSIONS OF LAW

1. WUA is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

2. The Commission has jurisdiction over WUA and the subject matter of the Application.

3. Notice of the Application was provided in the manner prescribed by law.

4. Under the circumstances discussed herein, the rates and charges recommended by Staff and authorized hereinafter are just and reasonable.

5. Staff's recommendations, as discussed herein are reasonable and should be adopted.

### ORDER

IT IS THEREFORE ORDERED that Michael's Ranch Water Users Association is hereby directed to file, with Docket Control, as a compliance item in this docket, on or before March 31, 2014, revised rate schedules setting forth the following rates and charges:

#### MONTHLY USAGE CHARGES:

	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year
	<u>Phase 1</u>	<u>Phase 2</u>	<u>Phase 3</u>
5/8" x 3/4" Meter	\$ 20.00	\$ 25.00	\$ 30.00
3/4" Meter	23.00	28.00	33.00
1" Meter	26.00	31.00	36.00
1-1/2" Meter	34.00	39.00	44.00
2" Meter	57.00	62.00	67.00
3" Meter	80.00	85.00	90.00
4" Meter	156.00	161.00	166.00
6" Meter	281.00	286.00	291.00

COMMODITY RATES (Per 1,000 Gallons):All Meter Sizes

First 5,000 gallons	\$ 3.75	\$ 3.85	\$ 4.00
5,001 to 12,000 gallons	6.20	6.67	7.15
Over 12,000 gallons	7.30	7.75	8.78

	<u>Service Line Charge</u>	<u>Meter Charges</u>	<u>TOTAL</u>
5/8" x 3/4" Meter	\$ 338.00	\$ 112.00	\$ 450.00
3/4" Meter	340.00	160.00	500.00
1" Meter	396.00	204.00	600.00
1-1/2" Meter	433.00	417.00	850.00
2" Turbine	600.00	900.00	1,500.00
3" Turbine	756.00	1,344.00	2,100.00
4" Turbine	1,056.00	2,144.00	3,200.00
6" Turbine	1,680.00	4,320.00	6,000.00

SERVICE CHARGES:

Establishment	\$ 50.00
Reconnection (Delinquent)	40.00
After Hours Service Charge	50.00
Meter Test (If Correct)	45.00
NSF Check	25.00
Meter Reread (If Correct)	30.00
Deposit	*
Deposit Interest (Per Month)	**
Deferred Payment( Per Month)	***
Late Payment Charge (Per Month)	****
Re-establishment (Within 12 Months)	*****

\* Per Commission Rule A.A.C. R-14-2-403(B)(7).

\*\* Per Commission Rule A.A.C. R-14-2-403(B)(3)

\*\*\* 1.5 percent of unpaid monthly balance.

\*\*\*\* 1.50 percent per month or \$5.00, whichever is greater.

\*\*\*\*\* Months off system times the monthly minimum A.A.C. R-14-2-403(D).

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per Commission Rule R-14-2-409(D)(5).

IT IS FURTHER ORDERED that the Phase 1 rates and charges approved herein shall be effective for all usage on and after April 1, 2014.

IT IS FURTHER ORDERED that Phase 2 rates and charges shall be effective for all usage on and after April 1, 2015, and Phase 3 rates and charges shall be effective for all usage on and after April 1, 2016.

IT IS FURTHER ORDERED that Michael's Ranch Water Users Association shall notify its

1 customers of the revised schedules of rates and charges authorized herein, including the phase-in  
2 schedule, in a form acceptable to Staff, by means of an insert included in its next regularly scheduled  
3 billing, or as a separate mailing, to be completed no later than thirty (30) days after the effective date  
4 of this Order, and shall file copies of the notice with Docket Control, as a compliance item in this  
5 docket, within 10 days of the date notice is sent to customers.

6 IT IS FURTHER ORDERED that during the month of December 2014, Michael's Ranch  
7 Water Users Association shall notify its customers of the effective date of the Phase 2 rates and  
8 charges authorized herein in a form acceptable to Staff, by means of an insert included in its regularly  
9 scheduled billing, or as a separate mailing, to be completed no later than December 31, 2014, and  
10 shall file copies of the notice with Docket Control, as a compliance item in this docket, within 10  
11 days of the date notice is sent to customers.

12 IT IS FURTHER ORDERED that during the month of December 2015, Michael's Ranch  
13 Water Users Association shall notify its customers of the effective date the Phase 3 rates and charges  
14 authorized herein, by means of an insert, in a form acceptable to Staff, included in its regularly  
15 scheduled billing or as a separate mailing to be completed no later than December 31, 2015, and shall  
16 file copies of the notice with Docket Control, as a compliance item in this docket, within 10 days of  
17 the date notice is sent to customers.

18 IT IS FURTHER ORDERED that in addition to collection of its regular rates and charges,  
19 Michael's Ranch Water Users Association may collect from its customers a proportionate share of  
20 any privilege, sales or use tax, per A.A.C. R14-2-409(D)(5).

21 IT IS FURTHER ORDERED that Michael's Ranch Water Users Association shall utilize the  
22 depreciation rates shown in Exhibit 5 of the Engineering Report filed in this matter.

23 IT IS FURTHER ORDERED that Michael's Ranch Water Users Association shall annually  
24 file as part of its Annual Report, an affidavit with the Utilities Division attesting that the Company is  
25 current in paying its property taxes in Arizona.

26 IT IS FURTHER ORDERED that Michael's Ranch Water Users Association shall monitor  
27 the water system closely and take action to ensure that water loss is below 10 percent and shall  
28

1 coordinate the reading of its well meters and individual customer meters on a monthly basis and  
2 report this data in its future Annual Reports beginning with the 2014 Annual Report filed in 2015. If  
3 the reported water loss is greater than 10 percent, the Association shall prepare a report containing a  
4 detailed plan to reduce water loss to 10 percent or less, and if the Association believes that it is not  
5 cost effective to reduce the water loss to less than 10 percent, it should submit a detailed cost/benefit  
6 analysis to support its opinion. In no case should the Association allow water loss to be greater than  
7 15 percent, and the water loss reduction report or the detailed cost benefit analysis, whichever is  
8 submitted, shall be docketed as a compliance item before the Company files its next rate increase  
9 application. Failure to submit water loss reduction reports or the detailed cost/benefit analysis if/when  
10 required may result in Staff finding that a future rate case filing is not sufficient.

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IT IS FURTHER ORDERED that Michael's Ranch Water Users Association shall file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of this Decision, at least three BMPs in the form of tariffs that substantially conform to the templates created by Staff (available on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms.asp>) for Commission review and consideration. The Michael's Ranch Water Users Association may seek to recover the costs associated with these tariffs in its next rate case filing.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

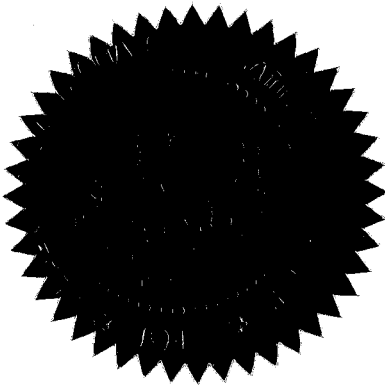
CHAIRMAN

COMMISSIONER

CHAIRMAN

COMMISSIONER

COMMISSIONER



IN WITNESS WHEREOF, I, JODI A. JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 19<sup>th</sup> day of March, 2014.

JODI A. JERICH  
EXECUTIVE DIRECTOR

DISSENT \_\_\_\_\_

DISSENT \_\_\_\_\_  
JLR:tv

1 SERVICE LIST FOR: MICHAEL'S RANCH WATER USERS ASSOCIATION

2 DOCKET NO.: W-02624A-13-0367

3

4 Jeannie Falen  
5 MICHAEL'S RANCH WATER USERS ASSOCIATION  
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7 Sedona, AZ 86336

8 Janice Alward, Chief Counsel  
9 Legal Division  
10 ARIZONA CORPORATION COMMISSION  
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12 Phoenix, AZ 85007

13 Steven M. Olea, Director  
14 Utilities Division  
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16 1200 West Washington  
17 Phoenix, AZ 85007

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